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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Application of Pacific Gas & Electric Company to Revise its Electric Marginal Costs, Revenue Allocation and Rate Design (U39M).	**A. 16-06-013**

PREHEARING CONFERENCE STATEMENT OF THE CALIFORNIA INDEPENDENT PETROLEUM ASSOCIATION

Edward G. Poole
Anderson & Poole
601 California Street, Suite 1300
San Francisco, CA 94108-2818
(415) 956-6413 – Telephone
(415) 956-6416 – Facsimile
epoole@adplaw.com

Counsel for the California Independent Petroleum Association

September 9, 2016

Pursuant to the Administrative Law Judge Ruling of September 1, 2016, the California Independent Petroleum Association (CIPA) hereby submits this Prehearing Conference Statement. CIPA's background and interest in this proceeding have previously been provided in CIPA's Motion for Party Status and Protest previously filed herein.

PG&E and the agricultural community have been in discussions in the PG&E since the 2011 GRC (General Rate Case). Given the very high oil price when the 2014 GRC was being considered, there was no good argument against phasing it out. As a result, a settlement was reached between PG&E and the other settling parties filed a motion to adopt an Agricultural Rate Design Settlement Agreement, which the Commission adopted in Decision 15-08-005 on August 13, 2015. Specifically, the Settlement provided:

> 7.1.8.5. <u>Schedule E-37 Elimination</u>
>
> Schedule E-37 shall be terminated for customers with 12 months of interval data beginning on November 1, 2017. Beginning November 1, 2017, or with each successive November 1, Schedule E-37 customers shall be transferred to their otherwise applicable commercial or industrial rate schedule. Customer notification shall utilize the standard customer notification process and billing system platforms and protocols as applicable to the general small and medium business annual November transition window for time-varying pricing.

As a result of this agreement, CIPA members, mainly the oil field customers involved with water pumping, who are being served by Schedule E-37 will migrate to Schedule E-30, which results in much higher rates.

Beginning in late 2014, crude prices began to fall precipitously, falling more than 70% when they settled at their lowest levels in decades. At the same time, lifting and acquisition costs have risen dramatically making much of California's in-state production non-economic. Given California's prevalence of heavy crude, which is energy intensive to produce, electricity is the single largest expense for many of our members. Adding the large increases in electricity rates will further undermine the economic viability of many in-state producers and make the state more dependent on tankered imports from foreign countries. As Schedule E-37 has not yet phased out, CIPA would like this proceeding to consider a stop to the phase out or a separate new schedule that will address the water pumping interests.

Dated: September 9, 2016

Respectfully submitted,

/s/

Edward G. Poole
Anderson & Poole
601 California Street, Suite 1300
San Francisco, CA 94108-2818
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(415) 956-6416 – Facsimile
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Counsel for the California Independent Petroleum Association